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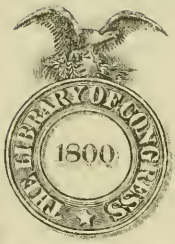
U. S. Dept. of Commerce.

Hearing before the Asst. Sect. of Commerce relative of the marketing of Farm Products in Continental Europe.



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63D CONGRESS
2d Session

SENATE

DOCUMENT
No. 579

MARKETING OF FARM PRODUCTS

HEARING

BEFORE THE

ASSISTANT SECRETARY OF COMMERCE

RELATIVE TO

THE MARKETING OF FARM PRODUCTS IN CONTINENTAL EUROPE

WASHINGTON
GOVERNMENT PRINTING OFFICE
1914

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In the Senate of the United States,
September 5 (calendar day, September 12), 1914.

Resolved, That the manuscript entitled "Marketing of farm products," by David Lubin, United States delegate to the International Institute of Agriculture, be printed as a Senate document.

Attest:

James M. Baker,
Secretary.

By H. M. Rose,
Assistant Secretary.

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MARKETING OF FARM PRODUCTS.

FRIDAY, AUGUST 14, 1914.

Present: Hon. Edwin F. Sweet, Assistant Secretary of Commerce; Hon. Albertus H. Baldwin, Chief Bureau of Foreign and Domestic Commerce; Hon. William J. Harris, Director of the Census; Mr. David Lubin, of California, delegate of the United States to the International Institute of Agriculture, Rome, Italy; Mr. George P. Hampton, of New York, representing certain State granges; Mr. Joseph D. Lewis, chief of division, Bureau of the Census; Mr. H. J. Zimmerman, in charge cotton statistics, Bureau of the Census; Mr. Arthur J. Hirsch, chief of division, Department of Agriculture; Mr. C. T. More, Office of Markets, Department of Agriculture; and Mr. G. C. White, Office of Markets, Department of Agriculture.

STATEMENT OF MR. DAVID LUBIN, DELEGATE OF THE UNITED STATES TO THE INTERNATIONAL INSTITUTE OF AGRICULTURE, ROME, ITALY.

The ASSISTANT SECRETARY. I believe we are going to listen to some suggestions by Mr. Lubin on the subject of marketing farm products in continental Europe, to see what we can learn from their example.

Mr. LUBIN. We see in the papers this morning and last night the statement and wishes of the President in the matter of the undue rise in the price of food products, and the evil influences on the economic condition of the people resulting therefrom, and that he has asked the Department of Commerce to take this subject up in an investigation, with the end in view of finding an effective remedy.

Believing that I had a tentative proposal in that direction to offer, I asked for this hearing.

This inquiry, as it appears to me, offers the department the choice of one of three different modes of procedure—

First. To merely make an investigation, and let the report go to the people;

Second. To advocate the penalization of those supposedly responsible for the evil complained of; or,

Third. The adoption of a working plan calculated to diminish the possibility of the cause which generates the evil.

It was in the belief that this department is to be actuated by the third of these motives, that I asked for this hearing. I will now proceed to submit my suggestion. Briefly, it is the adaptation and adoption in the United States of the European system of marketing farm products.

I offer this as a remedy not merely to meet the temporary phase of economic disturbance said to be caused by the war, but also as a means of permanent economic betterment which it would afford long

after the war will have been forgotten; for the betterment I have in mind is of a permanent nature. And the question now remains, which of the three motives just enumerated is to actuate the department in this inquiry?

The ASSISTANT SECRETARY. I think you can fairly assume that the latter one of the three is the purpose, Mr. Lubin. We want to do what we can for the betterment of the general conditions.

Mr. LUBIN. Well, then, it is in order for me to proceed, but before doing so I desire to state that Mr. Hampton, a coworker, is here with me, and that he represents some State granges. What granges do you represent, Mr. Hampton?

Mr. HAMPTON. Pennsylvania, Kentucky, Nebraska, South Dakota, Colorado, Idaho, Washington, and Oregon.

Mr. LUBIN. I have been working in conjunction with Mr. Hampton and with Mr. Creasy. Mr. Creasy is the master of Pennsylvania State Grange, and when I leave Washington I am to present this subject before the executive committee of the Pennsylvania State Grange, but the presentation then will be modified in some essentials from that made here, the reason for which I will explain further on.

The basic feature in the German system of marketing farm products is its "Landwirtschaftsrat" (its national council of agriculture). This Landwirtschaftsrat is a semiofficial body, which, beginning in the township, the county, thence upward to the Province, culminates in the national organization of its 72 members, with its seat in Berlin. Its revenue for expenses is met by Government taxation of each farmer having a vote. It has the power (in a consultative and in an advisory manner) under Federal law of exercising the initiative and referendum on all laws that are being enacted, or that are up for discussion in the Reichstag, which have a direct or an indirect bearing on the industry of agriculture, and it has the right to submit amendments or ask the repeal of existing laws bearing on the subject of that industry. Of course, this is only an advisory body, but it is quite clear to be seen from its operation that it is one of the most powerful political and economic bodies in Germany. Incidentally it also looks out for the thousand and one things that come under the head of promoting agriculture, such as buying, selling, production, distribution, cooperative work, rural credits, etc.

Now, the proposal that I will submit to this department does not embrace the taking up at this time of the Landwirtschftsrat; that will be done at some future time by the farmers themselves, but what I will offer right now is intended to serve as a substitute, and is of a temporary character, in order that the success which is to follow from the start may serve as a means to hasten on the adaptation and adoption of the European marketing system in its most approved and complete form.

The ASSISTANT SECRETARY. Would you object, Mr. Lubin, to our asking you a question once in a while as you go along?

Mr. LUBIN. Not at all.

The ASSISTANT SECRETARY. I would like to ask you if the advisory power of this body is restricted to laws affecting farmers or landowners?

Mr. LUBIN. I think that it is confined to the things that appertain to agriculture, either directly or indirectly. The Landwirtschaftsrat probably would not be consulted on matters foreign to

agriculture. In short, what the chambers of commerce and the boards of trade are to commerce, that the Landwirtschaftsrat is to agriculture.

In the United States we have no such body, but in place we have a miscellaneous assortment of bodies calling themselves "national."

Some of these, like poisonous mushrooms, spring up over night. They make a nice showing on paper, and their main ambition seems to be to sit "on the platform" and to be taken as the spokesmen of the American farmer. "As smoke to the eye, and as vinegar to the teeth," so are these "representatives."

Then there are the so-called "national bodies," who represent unwieldy, incoherent masses mainly influenced by heterogeneous ideas, who seldom know what is to be done or what is not to be done.

And when some of these national bodies are really composed of honest, earnest men, they are easily discredited and pushed to the wall by those who are not honest, earnest, or capable.

The status of these "national" organizations reminds me of a story. The San Francisco Argonaut came out with a query, "What is a Populist?" It said: "It is a hard question; we will try to answer it next ssue." Of course everyone got ready to buy a copy of the Argonaut and see what a Populist was. The next issue it said: "We have got the answer. A Populist is a fellow that doesn't know what he wants, and he wants it d——d quick." Now, that is about what our national farmers' organizations are. They want something awfully quick and don't know what they want. As a result, they get nothing. Now, in Germany the national agricultural organization is a great harmonious coherent institution. It is a breathing body—breathing from the head down to the feet and from the little township up to the head, up to the county; still higher, the Province, and up until it takes its seat in Berlin as adviser of the imperial governing power of the nation; and that institution does a great deal for German agriculture and for the German nation. I would like to see a similar institution put into operation here. It is going to be put into operation, and, as I say, it may take two or three years' time; but the substitute that I propose at this meeting here is going to hurry up the Landwirtshaftsrat. It is not going to stand in its way at all.

In order that we may grasp what this substitute means, I would like one of you gentlemen, who is a fair reader, to run through an article which I have here—not on this question of to-day. It only deals with it indirectly. It deals with the tobacco phase of the question; but it touches what I am trying to get at broadly. You have got to pick your way through it; but you gentlemen are skilled enough to know when to let go of the tobacco phase of the question and to take up the question as a whole. After you have heard this paper it will make it quite easy to understand the merits of my proposal, so if you will ask one of these gentlemen to read it I will be much obliged.

(At the request of the Assistant Secretary, Mr. Baldwin read the paper, which is herewith attached.)

Mr. LUBIN. I beg pardon; I must explain. This paper was sent to Mr. Flood, who is chairman of the Foreign Affairs Committee. Now, several countries in Europe make a monopoly of the tobacco business. The Government is the tobacco buyer and seller. Every cigar that is sold, every piece of tobacco is owned by the Government and sold in the Government shops, etc. They have one buyer in

these countries, and their mode of buying is uneconomical to the American producers. The American producers then formed a union for the selling of their tobacco, and then made a demand through the American ambassador to get the Italian "regie," or the royal monopoly buyer, to pledge himself to buy exclusively from the union. The Italian "regie" buyer then made a pledge to the ambassador that he would do the best he knew how, but it did not work out well; so they sent another communication to Rome requesting the cooperation of the International Institute of Agriculture in the matter. Accordingly I went to the ambassador for instructions. He advised me to go and see the "regie" man again, and of course I could talk to him much more openly than the ambassador could. We had a talk, and finally he got me to hand in my request in writing, all of which will appear in that paper. It is in this paper that I sent to Mr. Flood, the chairman of the Foreign Affairs Committee, that I touch upon the question of marketing farm products. There is where the marketing process will come in. Mr. Flood, whom I have seen since coming here, has handed this paper to the tobacco people. I wish to say, parenthetically, that about eight years of my life were devoted to the promotion of the California fruit industry, and now the fruits of California, while the distribution is very much better than about 20 or 25 years ago, is very much behind hand when compared to the European mode of marketing.

To give us the perfected systems of distribution operating in Europe we must, first of all, have the Landwirtschaftsrat, and, secondly, a rational rural credit system, and I wish to say right here that there is no reason that I know of why we can not have the Landschaft rural credit system in the United States. There is no country in the world where money is cheaper than in the United States. My children in England deposit money in the postal savings bank and they receive either 3 or 3½ per cent. In the United States they would only receive 2 per cent, so that money here is cheaper than anywhere else in the world, and Landschaft bonds, if properly devised, can be readily disposed of for 3, 3½, and 4 per cent, the same as in Europe, and that with amortization. But all this will have to be done rationally, and there has got to be no trace of what we may call Pefferism, no Populism, in it. Government can not grind out unsecured money, nor buy rural credit bonds, nor advance money to farmers any more than for barbers or shoemakers. There is a way of starting a rural credit system rationally, and I propose to take that up very shortly, just as soon as the resolution now pending in Congress is acted upon, the resolution on merchant marine. What is this resolution? Is it a proposition about getting ships to carry our exports overseas during the continuance of this war? It has nothing at all to do with the war, but it has much to do with the question of agriculture, the distribution of agriculture. It has to do with the question of the world's price of the staples, and it has to do with the home price of staples. Say, for instance, that the price of wheat in Liverpool is $1, in other words, the buyer there says, "I will give you a dollar per bushel for wheat." The producer in this country says, "Very good; give me the dollar, and I will give you the bushel of wheat," and the buyer in Liverpool says "All right; deliver it right here in my warehouse, and you may have the dollar."

And so you see that a carrier is wanted to carry it over the sea, and now if it costs a cent a bushel for delivery from New York to Liverpool the American seller will receive 99 cents for the wheat, or 1 cent deducted from the dollar. If it should cost 25 cents for delivery from New York to Liverpool, it would only leave the New York seller 75 cents net a bushel. Seventy-five cents net for what? Is it for the quantity exported? Yes; and, more than that, for the remaining quantity that is left in the home market. For the export price for the staples is the home price likewise, and right here we see there is a great difference between the price fixing mode of the staples and the price-fixing mode of the manufactures. The cost of carriage on neckties or shoes may advance or decline, but that cost of carriage will not increase or diminish the home or foreign price of all other neckties or shoes. But in the case of the staples of agriculture, inasmuch as they are sold in the bourses, pits, or exchanges, which are practically the world's megaphones, speaking to one another; it thus follows that an increase or decrease in the cost of carriage has an immediate and direct effect in the home market and an indirect effect in the world's price. And this I tried to explain at the last joint meeting that we held on August 1, between the representatives of the Department of Agriculture and the Department of Commerce, when Mr. Harris, the Director of the Census, presided. You will remember, Mr. Harris, the illustration I gave; let me repeat it. We attach a hook in the ceiling and fasten a pulley on the hook, then pass a rope through this pulley and pass the two ends of the rope down on a line horizontal to our arms. We take one end of the rope in the left hand and let that represent the home market price of the staples of agriculture, and we grasp the other end of the rope in the right hand and call it the carrier, and then we do this [indicating]; in proportion as we raise the right hand, down will come the left hand, and as we press the right hand down, up will go the left hand. In other words, when you raise the cost of carriage you lower the home market price correspondingly, and when you reduce the cost of carriage you raise the home market price correspondingly.

And so we see that if we give the carrier full play he has it in his power to raise and lower the home price at will, and in the matter of ocean carriage, if there is a combination of shipowners, they can raise and lower the world's prices at will; they can raise the price of carriage and thus lower the cost of the product and then go into the pit and buy. They can then lower the cost of carriage and raise the price of the product correspondingly, and then sell. They can do this, and make so much money out of producer and consumer until they get tired gathering in money. They can not do this with raising and lowering the cost of carriage on neckties, shirts, typewriters, or desks, but they can do this on the staples of agriculture, because manufactured merchandise is transported at fixed rates, with 30 or 60 days' notice of a change of rates, but the staples of agriculture have no fixed rates of carriage at all. The rates can be 1 cent a bushel one day and it can be 25 cents a bushel the next day.

Now, you and I know that a buyer of manufactured goods must figure it all out in buying, the charge at the place of sale, the cost of carriage to lay the goods down. Without such calculation he could not rationally buy. Now, then, how is a man to buy the staples of agriculture or how is the producer to sell it? What is the basis for

their calculation? Since the cost of carriage is an unknown factor, how is the price to be arrived at? We are driven to the conclusion that there is no rational way of arriving at what the price should be. There is a rational way for buying and selling merchandise, for the cost of carriage of merchandise is fixed with 30 or 60 days' notice for any change. But in the case of staples of agriculture there can be no basis for calculation so long as the cost of carriage may vary from day to day and from hour to hour.

"Give us this day our daily bread," and the good Lord gives us this bread, but a lot of irresponsible shipowners come along, and by arbitrarily changing the rates of ocean carriage from day to day, and from hour to hour—by doing this, they put a measuring rod on the bread, which in substance is the same as saying, "The good Lord gives you the bread all right, but we, the shipowners, shall determine for you what the size of that loaf shall be," and when the shipowners have that power they have more power than presidents, emperors, czars, kings, or princes, upon this earth, and that is too great a power to have. They should have no such power; it does not fit in with the twentieth century. It is not sensible; it is not just; it is not right; and it should stop and stop for good.

And mark you, it is insufficient to stop it for one country alone. During all the centuries there has been a great deal of laughing at the men who preach the doctrine of holding out our hands to a fellow man, to our neighbor, to our brother, and the world considered that a joke. It just happens that it is no joke at all, because before we can have a just price in the United States for the staples of agriculture; the food products for man, woman, and child, and the raw material for clothing them, before we can have a just measure for ourselves we have got to see that there is a just measure in such out of the way places as Odessa and Rosario. You may ask what have we to do with Russia or Argentina, and the answer is, before we can have a just price in the United States we must see that the prices are just in those countries first of all. If they and their products are to go to the devil they will pull us right along with them. That is the law. If the world's price is pulled down below the normal at Rosario or Odessa that will tend to pull our price down, and thus we see that we are our brother's keeper, that the world's price in its making has the whole world for its range; that it is international; and the purpose of the pending resolution is to place the factor of ocean carriage so equitable and just as shall provide a rational basis for calculation of the price of the staples; so that the man on the farm anywhere will be able to take pencil and paper and figure out from the data at hand what the world's price is at his port in the nation and what it is worth on his farm.

Waiving for the time being the subjects of the resolution above referred to, of the need of Landwirtschaftsrat and of the Landschaft system of rural credits, and returning to the project which I am to present to you this afternoon, let me first of all hand you the following paper concerning the project for marketing farm products, which I would be pleased to have you read, and I will explain it as you go along.

PROPOSAL SUBMITTED AT A MEETING IN THE DEPARTMENT OF COMMERCE FRIDAY, AUGUST 14, 1914.

MARKETING FOOD PRODUCTS BY THE FARMERS DIRECT TO THE CONSUMERS.

Wholesale: (*a*) Sample salesrooms, (*b*) auction rooms, and (*c*) exchange, or pit.
Retail: (*a*) Salesroom, (*b*) auction room, exchange or pit, and (*c*) street market.
Wholesale: For the larger cities only. Sales in salesrooms, auction, and pits, in operation daily.
Retail: Small towns, at stated times during the week, and at stated hours.
National and State committee: President chamber of commerce, mayors of the three largest cities in State, three members of leading department stores, leading carrier, parcel-post man, leading banker, leading workingman, president of the county council.
In addition to the above there should be leading farmers, who should compose a majority of the entire committee.
Subcommittees appointed by the above for (*a*) large cities, (*b*) counties, who shall appoint subcommittees of the above for townships.
All under the direction of the national commission and the supervision of the United States Department of Agriculture, and the Department of Commerce, who shall each provide field agents, so as to instruct and line up.

This paper that you have just read is part of the project that I am submitting to you this afternoon. The president and the people are complaining about the undue rise in prices of the products of the farm; for the undue rise in the price of food products. Well, what is the remedy? Will it be to argue with buyers and sellers or to penalize them? I do not think that anything can be accomplished in that way. There has been a great talk and there is a great talk all over the country that the trusts are responsible for the high prices in the cost of food products, for the high cost of living. Well, there is but one effective way to fight the trusts, and that is to take the goods that are trusted out of their reach; that is the way to make the trust impossible, and this is just what I propose under the plan set forth and to be still further set forth. The plan, in substance, is this:

First. Let the President of the United States appoint a national committee consisting of (*a*) the president of a chamber of commerce; (*b*) mayors of three of the largest cities in the Union; (*c*) three members of the leading mail-order and department stores; (*d*) a leading railroad man; (*e*) a parcel-post man; (*f*) a leading banker; (*g*) a leading workingman; (*h*) two Congressmen; (*i*) a Senator, making 14 in all, and in addition to these 14 let the President add 15 farmers from various sections of the United States. This committee of 29 to be the national committee, who shall meet and organize for the purpose of having the food products in the various States in the Union distributed under the plan that shall be explained further on.

Second. Said national committee shall have prescribed power of direction of similar committees to be appointed by each of the governors in every State of the Union.

Third. Said State committees shall have the power to appoint smaller committees of the same kind for (*a*) the larger cities in the State and for counties, and the county committee shall have the right to appoint the township committee.

The national committee after organization shall devise a plan for the delivery and sale of the products, with plans and specifications and details of sample rooms, auction rooms, exchanges, pits, and street markets, and designate how the products in township, county, and State are to be synchronized for shipment, for display, by private sale and by auction, the rules for selling and delivery, the terms of

sale, and the mode of procedure. The various committees appointed are to ask the assistance and cooperation of the press, the carriers, the Federal, State, and county officials, the ministers of the various religious denominations, the various chambers of commerce and boards of trade, the labor leaders, and the farmers everywhere. The Federal committee above stated shall send copies of the plans and details and specifications and drawings to the various State committees, and the State committees, after elaborating and modifying said plans, are to send copies of same to the county organization and to the township organizations.

It is assumed that the national committee here proposed, if appointed by the President of the United States for, say one year's service, would find no trouble to obtain the service of high-grade men for at least one year, free of charge to the United States Government. It is further assumed that the State, county, and township committees would serve that term free of charge. This, in substance, is the plan. While it is more clumsy than the plan under the proposed Landwirtschaftsrat it has this merit at the present time; first, we have not yet got the Landwirtschaftsrat; second, it would be the most likely means of getting it, for no sooner would these committees start out in their work than it would become palpably evident that a Landwirtschaftsrat system would be a simpler mode of doing the same thing.

In the European countries there is no such thing as a trust in food products; there can not be any so long as the Landwirtschaftsrat is there. The farmers in European countries do all the trust business themselves, and as a result the farmers are benefited and the consumer is benefited. Were the trust system of food products carried on in Europe as it is in the United States, it would cause a state of permanent famine there.

The Governments of Europe would not tolerate food trusts in their country for one moment, and all the penalizing and talking that we may do against trusts in the United States will not amount to a "hill of beans." The way to fight the trusts is to take the goods away that the trust deals in; so long as the trust can get hold of the hogs, of the butter, of the potatoes, and of the chickens, there will be hog trusts, butter trusts, potato trusts, and chicken trusts. Let the president start these committees; let these committees perform their work intelligently and thoroughly and conscientiously and the trust is gone and the Landwirtschaftsrat will follow. If we are in earnest about this matter let us prove this earnestness by the plan here proposed. Nor can it be objected to on the score of novelty. The committee may be new but the mode of disposing of farm products here proposed is not new; it is in operation in almost every country in Europe and why should it not be in operation in the United States? It should have been in operation here long ago. However, better late than never.

Now, to return to the committee. Assuming that the Government got this thing started, and that the proposal was put in working order, the Government could then provide a number of field agents under the supervision of the United States Department of Agriculture and of the Department of Commerce, whose duty it would be to instruct the subcommittees.

So far as the selling is concerned, that end of the work could be taken care of all right with men on the national commission like Mr.

Wanamaker, Mr. Julius Rosenwald, of Sears, Roebuck & Co., the head man of Montgomery Ward, or the head man of Dun or Bradstreet. With men of this character on the committee we need have no fear so far as the selling end of the work will be concerned.

The weakest spot in the carrying out of this proposal is the long reach of the trust. The trusts know that all the laws from here to the heavens can not hurt them. There is only one thing that can hurt a trust, say an egg trust—take the eggs away from the trust and the trust is gone. And so all along the line—take the things away from the trust that the trust deals in and you are done with that trust.

The ASSISTANT SECRETARY. After you get a committee such as that proposed, what would they do?

Mr. LUBIN. They would proceed to do the things here proposed. For instance, the products will be synchronized all along the route of the railway and train service will take these products up and dump out designated quantities at certain sales places. Each town and city will have its auction rooms and almost every hour of the day a different line of produce will be offered for sale. Then there will be the open-air markets; the cities and towns will designate certain public squares for that purpose, when twice a week, more or less, and for the hours designated, these public squares are converted into a market, with a space designated for each seller, and the rules of sale and delivery are to be made public throughout.

Does this seem new to you? Well, let us see. Supposing Mr. Armour was to send his manager to Denmark with a commission to start an egg trust there, and with a check book with a large amount of cash behind it to buy eggs. Where would that manager have to buy those eggs in Denmark? He would have to buy them in the grocery stores at retail, for the wholesale end of the egg business in that country is in the hands of the farmers themselves, and so with butter, and so with chickens, and so with hog products. This is not only so in Denmark, but it is so in Germany, France, in Austria, in Italy, in Belgium, in Holland, in all Europe.

If we really want to stop the high cost of living we can do it if we want to, but we can never do it by penalizing the trusts; that is nonsense. That may be a good way to talk to get votes. The way to stop the trusts from fixing prices on goods is to take the goods away from the trusts, and then they will have nothing to fix prices on.

Mr. BALDWIN. That is the best example I know of of cooperative selling.

Mr. LUBIN. Yes, this is cooperative selling and if we are in earnest in the matter of doing away with the high cost of living, we can do it.

Mr. HAMPTON. Excuse me, these gentlemen may understand you, Mr. Lubin, but I confess that I do not. If you simply say go ahead with the case you have there, I would not know the first a, b, c of how to start. And yet I know from this paper and from your own work, and from the splendid work you have done there in California that there is a great big thing behind it; but it is behind the curtain so far as I am concerned. I do not know whether what I say is true with the rest of those here. The Government, I suppose, has got to take some action in this case, whether it is done by a bill in Congress and how it is done, or whether they have got to make an appropriation.

Mr. LUBIN. I do not think it requires an appropriation at all. If the President appoints this committee and they agree to serve, it will not ask for money.

The ASSISTANT SECRETARY. Your idea, then, as I understand it, is to have this very representative committee or commission appointed by the Government some way?

Mr. LUBIN. Yes, sir; by the President of the United States.

The ASSISTANT SECRETARY. And then they become the medium through which the producers market their goods on a really cooperative plan?

Mr. LUBIN. Yes; there is a measure of cooperation, but the individual farmer, if he so desires, can bring his goods to the salesrooms, to the auction rooms, or to the open-air market, and either have them sold for him or he can sell them himself.

The ASSISTANT SECRETARY. Whether the committee or commission do this work for compensation or not, you say that the first members would very likely be secured for the glory of it, without pecuniary compensation?

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. But after that, whether you organize the Landwirtschaftsrat or whether you continue through the proposed committee, there will have to be compensation?

Mr. LUBIN. Yes; for the Landwirtschaftsrat members receive traveling expenses, and clerks or porters or sales people, if employed, would have to be paid.

The ASSISTANT SECRETARY: You could not expect people to give their time free of charge indefinitely. But, if I understand it, there will be some system by which voluntarily the producers of the country would work through this channel.

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. Realizing that in that way they could reach the consumer and get a fair price for their commodity, and that the consumer would only be paying a fair price?

Mr. LUBIN. Yes; that is it.

The ASSISTANT SECRETARY. You simply cut off all the middlemen?

Mr. LUBIN. Yes; there would be no middlemen at all. There would be the producers of their products and employees.

The ASSISTANT SECRETARY. Is that the way you understand it, Mr. Hampton?

Mr. HAMPTON. Yes, sir; that is the way I understand it now.

The ASSISTANT SECRETARY. I think, Mr. Hampton, you could give us some idea on the subject from your own standpoint.

Mr. HAMPTON. Well, this was brought right to me to-day. I understand this thing mainly because I have heard the paper that Mr. Lubin submitted here before. But this municipal marketing idea is a thing very attractive to me, and it occurs to me that if we endeavor to arrange matters so that the small, ordinary, every-day farmer, scattered all through the East, could give an abundant meat supply we would have to have free markets and cooperative slaughterhouses, and thus make the farmer absolutely independent of the trust, and my mind has worked along the idea of these independent cooperative things that would gradually be coordinated into a regu-

lar, definite, harmonious whole, in which the larger cooperation could make itself manifest along these larger lines that Mr. Lubin has suggested.

The ASSISTANT SECRETARY. In the case of commodities, Mr. Lubin, that must undergo some change between the original producer and the final consumer, like meats, for instance; what is your plan?

Mr. LUBIN. The farmers can do all that. That is all done by the farmers in Germany, from hogs to ham and bacon and lard, and from farmer direct to the consumer. In Denmark, for instance, every egg is stamped with the date, etc., and not merely do the farmers handle the products in their own market, but the Danish farmers handle the products even in London. I would suggest, Mr. Chairman, that you question some of the gentlemen who are present. Perhaps that will help to bring out the idea.

The ASSISTANT SECRETARY. Do you not want to ask some questions, gentlemen, with regard to this scheme, or express your opinion? We would be glad to hear what you think of it.

Mr. MORE. Would this be in competition with the present middlemen?

Mr. LUBIN. Adopt the plan here proposed and there will be no middlemen.

Mr. MORE. You are supposed to substitute this at once for the present channels?

Mr. LUBIN. It will not do it the first day, but it will do so gradually. In the end it will keep the middleman out completely.

The ASSISTANT SECRETARY. What will be your method of getting rid of the middleman? Supposing he wanted to remain in business; did not want to be ousted?

Mr. LUBIN. He could be employed by the farmers.

The ASSISTANT SECRETARY. You could not compel him to, unless there was some legislation.

Mr. LUBIN. There would be no necessity for any legislation. If the middleman could not get the goods which makes him a middleman it would do away with him as middleman for that kind of goods. Remove the goods from the reach of the middleman and it settles the whole proposition. They haven't got them in Europe, and they do not need them here.

Mr. HAMPTON. A department storekeeper is a middleman.

Mr. LUBIN. So he is, but he need not suffer through this. The aid that he will give to this work will make him sell more neckties, shoes, shirts, and hats, and dry goods.

Mr. HAMPTON. Then it would be only the food products that this would apply to?

Mr. LUBIN. Yes.

Mr. HAMPTON. But is not all this rather a paternalistic idea than a democratic one?

Mr. LUBIN. Why?

Mr. HAMPTON. Would it not reduce the farmers simply to sitting back in their chairs and seeing some of these big experience men plan and do the work for them instead of making it a real cooperative scheme? Here is a scheme in skeleton, which Mr. Wanamaker or Mr. Rosenwald and other big operators are to put in operation and organize without any detail of the plan until it has been developed and become

known to the mass of the people, the producers and consumers, the producers, realizing that they will be in the hands of beneficent people, will come to these exchanges and bring their produce; and, naturally, of course, if you establish markets, it does not take long for a consumer to realize that he can get those things there cheaper. That side of it is a simple problem, but it seems to be a much more complex problem to get this thing organized, with the producers having their produce flowing into these pits and exchanges that are organized almost and I should say, in this phoenix, built-up-in-a-night kind of way.

Mr. LUBIN. Well, it seems built up in a night, but in the first place you should bear in mind that the majority of this committee are farmers.

Mr. HAMPTON. Of course, I am interested in the farmers but I have never yet been able to see that we can move with lightning speed in any such organization. It is one of our greatest struggles to make a success of our various cooperative enterprises.

Mr. LUBIN. That is exactly it, and I am glad you brought this point up. In the first place, you inferred that these great department store merchants on the committee would pretty soon take hold of things and swing this poor, innocent, slow-going farmer along, and that he would have, willy-nilly, to go along; that he would be the tail to the kite. I want to answer that by saying that the farmer would not have to be the tail to the kite, because he would be the majority of the committee. If, for instance, there were 15 others on the committee, one a carrier, one a banker, one a merchant, etc., there would all the time be 18 farmers solid. So it could not be that the poor farmers would innocently ride into this proposition, for the reason that the farmers would be in the majority on the committee. Now to answer the other half of your proposition, that the poor farmers go slow, etc.: Of course, he is slow. Whoever said that he was quick? He is not in a line of business where he is going to get quick. But these other men, especially the great merchants, they are quick; they know how to sell goods; you do not need to teach them how to sell. They have got it at the ends of their fingers. Now then, in this committee you are uniting the slowest end of the line, the conservative, the farmer, with the fellow who knows how to do things quickly; when you get a combination of that kind you have got very nearly as good a machine as the Landwirtschaftsrat proposition would be, and probably for the start, even better. But, of course, this committee work could not be carried on free of charge for an indefinite period, and to continue a commission of the kind that I speak of under a salary would be a very expensive job; but it would not be at all necessary, for no sooner would this committee be at work and whip the plan in shape than it would be followed soon with a Landwirtschaftsrat.

The ASSISTANT SECRETARY. Is it your idea to have an organization of that kind in each State?

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. You would make the State the unit?

Mr. LUBIN. Yes; the State would be the unit. There would be first of all the national commission appointed by the President of the United States, and then the State commission, most likely to be appointed by the governors of each State; then the State commission

would appoint the county commission, and the county commission would appoint the township commission. Besides these commissions there would be the field agents, the interstate factors, under the Department of Commerce and under the Department of Agriculture, and perhaps under the Interstate Commerce Commission.

The ASSISTANT SECRETARY. How is that done in Germany?

Mr. LUBIN. It is not done. There, it is the Landwirtschaftsrat which begins with township, then county, then State, then Province, and then up to the Nation.

The ASSISTANT SECRETARY. Yes; but how are the individuals of that organization selected?

Mr. LUBIN. By votes.

The ASSISTANT SECRETARY. On the progressive system of representation?

Mr. LUBIN. Representation, yes; as it is here.

Mr. MORE. Do they undertake any of the marketing?

Mr. LUBIN. They do the whole thing. They attend to the farmers' business. The national commission of 72 men do what I am proposing here that the commission should do.

Mr. HAMPTON. Those 72 men in Germany are allowed to do the marketing of farm products what the Federal Reserve Board will do here with banks?

Mr. LUBIN. To some extent, yes; only that the Federal Reserve Board is an official body, whereas in Germany it is semiofficial.

Mr. MORE. Would the national commission you propose take California oranges and put them in the New York market?

Mr. LUBIN. No; they would say how this is to be done. The commission of 72 men in Germany, the Landwirtschaftsrat, do not actually take a lot of eggs in a basket and run to town with them and sell them. They simply direct.

Mr. MORE. Then you have got to build up a system of middlemen under them to take the place of the ones we have now?

Mr. LUBIN. No; there is no need of that, for the helpers in this work are employees; they are not middlemen. This does away with the middleman and therefore does away with the trust.

The ASSISTANT SECRETARY. How are they compensated, by salary or commission?

Mr. LUBIN. You mean the national commission?

The ASSISTANT SECRETARY. No; the men that do the actual work.

Mr. LUBIN. Oh, they are employees and it depends on the by-laws of the association or upon contracts made by individuals.

The ASSISTANT SECRETARY. Don't you want to ask any questions, gentlemen? It is a good thing to get a very complete understanding of this.

Mr. LUBIN. I should like, Mr. Chairman, to ask the gentlemen present for any criticism on the matter here presented, as this subject is not foreign to their business.

Mr. HIRSCH. Is there an official from the Bureau of Markets of the Agricultural Department here? That seems properly to come under their province.

The ASSISTANT SECRETARY. There is a representative, is there not?

Mr. MORE. Yes, sir.

Mr. WHITE. Yes, sir.

The ASSISTANT SECRETARY. Would you be kind enough to tell us how this impresses you? Perhaps it is not a new thing to you.

Mr. WHITE. My work of handling the office of markets is along transportation lines.

The ASSISTANT SECRETARY. Has any plan of this kind been brought to your notice before?

Mr. WHITE. Not to my knowledge; it may have been discussed in other divisions in the office of markets.

The ASSISTANT SECRETARY. Does it look practical to you?

Mr. WHITE. I do not know that I fully understand it.

The ASSISTANT SECRETARY. That is one reason why I wanted to have you ask Mr. Lubin questions, if it is not perfectly clear.

Mr. LUBIN. I will be willing to answer any question that I am able, if you will ask me.

Mr. WHITE. Those employees under this body of 72 men (Landwirschaftsrat) that you speak of, are they also producers, or are they merely employees of those 72 in handling the machinery of distribution?

Mr. LUBIN. It would be mainly the employees of the township organizations that would do the work.

Mr. MORE. Producers' organizations?

Mr. LUBIN. Producers' organizations, yes; and of individual producers independent of organizations. It would not be necessary for a man to be a member of a cooperative organization in order for him to be permitted space, say, in the open-air market, in the auction room or other sales facilities. The by-laws to provide that such individuals receive the same advantages that are given to members of cooperative associations. The modes of procedure in each State would be designated, the larger body——

Mr. WHITE (interposing). The State body?

Mr. LUBIN. Yes; the State commission would have the power to appoint the county commission and the county commission that of the township. Let us say that the township committee is in session, in addition to the national and State regulations which they received; they adopt their own special by-laws not in conflict with national and State regulations which they have received, and then proceed to carry on the business for which they have been appointed.

Mr. ZIMMERMAN. In other words, the national commission will be in the nature of a clearing house?

Mr. LUBIN. Yes; that is right.

Mr. ZIMMERMAN. It will take care of the situation where three carloads of peaches are sent to a city where there ought to be one, and one where there ought to be three.

Mr. LUBIN. Yes; in a measure. While the main work of direction will be in the hands of the national commission and the State commissions, the principal labor and carrying on the practical work of distribution will be in the hands of the smaller bodies—the county and township committees.

Mr. ZIMMERMAN. It will result in the acme of cooperation—is that it?

Mr. LUBIN. Yes. Without all this organization, and it may take 25 years before the farmer gets cooperation. With this proposal in working order he arrives at cooperation right away.

Mr. MORE. If he accepts it?

Mr. LUBIN. But he will not be able to help himself by accepting it if it will pay him better than under the present conditions.

Mr. MORE. It would take a bunch of money to finance it.

Mr. LUBIN. No; it would not.

Mr. MORE. For instance, on your New York market. I was there one Monday morning recently and on one dock were about 350 carloads unloading and they were sold and hauled away in the course of three or four hours. The freight had to be paid on all of that and in order to sell it, of course, a great number of salesmen went to a large number of jobbers. They took it to their houses, resold it to the retailer——

Mr. LUBIN. Sold what?

Mr. MORE. Cabbages, onions, canteloupes, oranges, potatoes, cucumbers, lemons, etc.

Mr. HAMPTON. Farm products?

Mr. MORE. Farm produce.

Mr. LUBIN. What was it all done by—an organization?

Mr. MORE. No; this was on the Pennsylvania docks in New York City. That was merely one morning's receipts on one dock, to feed New York City. The freight on that, of course, was a great deal, and all the machinery to handle that.

Mr. LUBIN. I do not think there is any need to worry on that score. Take it in the instance of California fruits, two train loads are sold in a couple of hours and so with Florida fruits.

Mr. MORE. California and Florida fruits are a given quality and almost national standards. When you get to vegetables and produce, on which the standards are not so established, it makes it more difficult.

Mr. LUBIN. Not necessarily. There is no greater difficulty in buying or selling potatoes than there is fruits, in fact, not so much. You can sell potatoes just as well as you can grapes.

Mr. HIRSCH. Mr. Lubin, who do you think would eventually benefit under this system that you propose?

Mr. LUBIN. The farmer and the public.

Mr. WHITE. Under your State organization, the State body would control the distribution and the marketing of all the products of the State?

Mr. LUBIN. No, no; they would not.

Mr. WHITE. They would direct it?

Mr. LUBIN. There may be any number of farmers that would say "I won't join the union," or "I prefer to sell to the trust." There is perfect liberty for every producer and every consumer.

Mr. WHITE. That is the question that I was just going to ask. Wherein would machinery of that kind and an organization of that kind be any more efficient than, for instance, your exchanges of to-day in handling the orange crop of California?

Mr. LUBIN. Well, if the orange crop is already being taken care of, that settles the matter so far as oranges are concerned. But we want to do all this with potatoes, with chickens, with meat products, with butter, with eggs, with cheese, and a thousand and one different farm products. The handling of California and Florida fruits through the exchanges have been brought up. It undoubtedly is a great improvement over the former system of handling the fruits of California,

through the Porter Co. and the Earl Co. on the one hand and the railroad company on the other. These three exerted a decidedly deteriorating influence on what is now the primary industry of the State of California, and besides that the older system deprived millions of people throughout the United States from the privilege of enjoying California fruits, and at last Mr. Huntington was convinced that that kind of a policy was ruinous to his railway. He became convinced that the real integrity of a railroad share was centered in the earning power of the farmers on each side of the railway track, and the conversion of Mr. Huntington to this idea helped to emancipate the fruit industry of California from the oppressive thraldom of the trusts.

But yet not altogether so, for the fruit exchanges lacked the cash money to carry on their work to the best advantage. Whenever the Landschaft system of rural credits will be in operation, when the producers will be able to get money at from 3, 3½, and 4 per cent a year, as the farmers in Germany do, then they will be able to handle the fruit interest under the exchanges very much better than they can to-day.

Mr. HIRSCH. Would the system that you propose work on perishable commodities such as canteloupes and tomatoes?

Mr. LUBIN. Yes.

Mr. HIRSCH. I know a community down in Delaware where they raise a lot of tomatoes. When the tomatoes are first brought to this country they bring 25 cents, but there is a rush, and they ripen all at once, and then they go down to 8 cents. Those that haven't got a contract at 8 cents can't get 6; they can't get a contract at all. What are you going to do with those tomatoes, ripening all at the same time?

Mr. LUBIN. Please observe, if you could give every tomato and cantaloupe a new intelligence when they would begin to talk to the farmer they would say to the farmer, "Why, you darn fool, what are you sending me to that market for? Don't you know that it is glutted? Have a little horse sense; send me right over there, please; there's where I should go." And if the tomato and cantaloupe could talk to the railroad they would say, "Why are you backing and forwarding to and fro and wasting time for a few stray boxes? Why don't you arrange affairs so that there is no loss of time in having us gathered together and put on the train?"

Mr. HIRSCH. I can see that in regard to the melon, but I can not in regard to the tomato, because the tomato is canned for the next winter season.

Mr. LUBIN. So the producer cans them?

Mr. HIRSCH. Yes; they have to be canned. You can not use all those tomatoes at that time.

Mr. LUBIN. Very good; but there is a market for canned goods as well as for uncanned; but, first of all, let us consider what I was talking about. If those products could get up and talk horse sense to the farmer, and if the farmer would obey the tomatoes, the cantaloupes, the carrots, it would then be all right; but as we can not expect vegetables to think and to talk, where, then, is the remedy? This: That man has got to do the thinking and the talking; that's why he is a man. But if a man is too lazy to do that, then he is no different from the poor Indian, for he is hardly yet civilized; is too

stupid, too indolent, and too unintelligent to understand, and so other intelligences will have to do thinking for him. For instance, President Ripley of the Santa Fe Railway, about four or five months ago, devised a system that rebukes every farmer out there, and what President Ripley devised should really have been devised by the farmers along the road. "Have your things ready and we will come along and pick them up for the market, and you will see to the marketing of them." See the amount of ingenuity, skill, and thought that is put into machine and hand labor in the weaving of a yard of cloth, the price of which may be less than 10 cents; and if the farmer put the same amount of thought in his work, not merely in production, but in distribution, would not that ingenuity, skill, and thought pay a dividend? It certainly would, and a large dividend, too.

But are we to infer from all of this that the farmers in Germany and in other European countries are so very much more intelligent than are the American farmers? By no means. The European farmer is not any more intelligent than the farmer in the United States; in fact he is a great deal less intelligent, but it happens to be the fashion in European countries for the thinking men to think and to devise ways which shall be effective in promoting the best economic interests of the farmers, partly for the farmers' sake and partly for the consumers' sake. If the densely populated countries of Europe were to permit the food product of those countries to drift into the hands of trusts, to be manipulated by trusts, it would create a state of perpetual famine and starvation in those European countries. It would soon create revolutionary uprisings, and it is, perhaps, for this reason that the wisest minds of Europe are guiding the farmer along the path he should travel.

Mr. HIRSCH. Don't you think that it is easier to put it in operation there on account of the thickly settled communities, with small area to be covered, and density of the population?

Mr. LUBIN. I do not think you have hit the point by this postulate.

Mr. HIRSCH. Possibly not.

Mr. LUBIN. For this reason. The European countries are at the same time the most thickly settled and the most thinly settled in the world. You have the two kinds. You have the farmer in European countries, with his quarter and half of an acre or one acre of land, and he is quite some sort of a nabob with five acres. But, then, you have also got the farmers that have 10,000, 20,000, and 50,000 acres of land.

Mr. HIRSCH. Oh, yes. I was referring to the population itself, where you market the stuff; the density of population in cities.

Mr. LUBIN. You mean the eating—the consuming people?

Mr. HIRSCH. Yes.

Mr. LUBIN. Surely we have enough of these. There are perhaps no consumers in the whole world that afford a better demand than those of the United States.

Mr. HIRSCH. But we have got a long distance to carry.

Mr. LUBIN. Why?

Mr. HIRSCH. Certain fruits and vegetables have to go long distances.

Mr. LUBIN. It seems to me that in reality we have shorter distances because we have more railways. And in addition to this we are not hampered by tariff restrictions, as they are in Europe.

Mr. HIRSCH. That is what I wanted to find out.

Mr. LUBIN. One advantage that they have got which we have not got is good roads. We ought to have good roads, but of railways I do not think there is any other country in the world that exceeds this country in density.

The ASSISTANT SECRETARY. Mr. White, did you get a satisfactory answer to your question?

Mr. WHITE. I do not know that I fully understand the scheme yet.

Mr. LUBIN. What part don't you understand?

Mr. WHITE. As I gathered at first, this was to supplant all selling organizations that we have in existence, but Mr. Lubin has explained that it was not to take the place of any present efficient organization.

Mr. LUBIN. No; it is to be purely voluntary.

Mr. HIRSCH. There are cooperative creameries around the country, but all farmers do not belong to them.

Mr. LUBIN. Certainly. The presumption is that the mode here proposed would afford real economic advantages. At the present time there is no systematic method of synchronizing the products or of hours of disposing of them. Hence, and apart from any undue profits to the trusts or middlemen, there is a great economic waste which the proposed project would obviate. Let us take the economic improvements in storekeeping, for instance, of the present day, from what it was 50 years ago. Fifty years ago there were lumbering wooden shutters to put on the show windows every night. After that came the rolling iron shutters, and now there are no shutters at all.

And then take the hours. Some of the stores opened at 6 o'clock in the morning and the better class at 7. The closing hour was 9.30 to 10 o'clock at night, but at the present time stores open at 8 o'clock and close at 5. In former times the proprietor deemed it his duty to teach his sales people how to become skillful liars. At the present time the salesman that utters a lie is dismissed in disgrace. In former times it took hours of bargaining and beating down, and threats to leave the shop, and oftentimes downright insults in the attempt to do buying or selling. But to-day the price is marked plainly, and that ends all bickering. And all those things and many more in place of ruining the business of storekeeping, has in fact built it up so that some of the great retail business houses now do business by the million that was in olden times done by the thousand. And so with the business of farming. It should improve on the same lines, in order to entitle it to the credit of living in the twentieth century. If all the economic phases would be introduced into the business of farming that would apply to it as was done in storekeeping, the farmer would make very much more money than he has ever made in the history of his calling, and at the same time work his hands perhaps half the time that they work to-day, and at very much greater pay, and with very much greater comfort. And is not all this worth while trying for? However, once let the advantage be made evident and there will be no necessity for argument.

Mr. HAMPTON. If I understand your scheme, it is to converge the feelings of the consumer and the farmer to the present status of the high cost of living; to converge their thoughts toward the proposed markets—the open markets—free from present conditions and taking the producer, with his unsatisfactory selling prices, and converging his thoughts along the lines of cooperation, so as to get larger profits;

and simply, by the O. K., as you may say, of the Government, the supervision of the Government, be enabled to bring these things together to a harmonious system of commerce, selling pits or exchanges, and markets to which the consumer can come and buy these things; is that it?

Mr. LUBIN. I want to answer your question, perhaps a little differently from what you expect; but I think it will answer it all right. If an attempt were made to realize my proposal by the people, say, of Sacramento County, it might take them 10 years before they would understand what they were driving at. There would have to be a few heroic pioneers there who would about work themselves to death, and they would be likely to be gray haired before they could succeed in doing something in a couple of villages in that county. But take it in the case of the proposed plan—the appointment by the United States Government—by the President of the United States—of the national commission. The recognized merit of the men appointed, the publicity that this would engender not merely in Sacramento County [hesitating]; and can you give me any counties in Connecticut?

The ASSISTANT SECRETARY. Litchfield.

Mr. LUBIN. Yes, Litchfield and Sacramento; in every county, in every State, and in every State in the Union, and beyond the border into Canada, and the press, and the people, would immediately say, "The United States has got a great proposition up. What is up? Why, they have something like this." And then Tom, Dick, and Harry begin reading, and they say, "I wonder how that is going to affect the trust? What do you think, Mary Ann?" He is talking to his wife, to his aunt, or to his cousin, or to his neighbors. And it can be reasonably expected when this marketing machinery is set up it will set the whole country going; it is a new thing; its publicity is so widespread and the sympathy for its success is so strong that it succeeds with a rush, and it becomes a flow without ebb. And were you to try to do all this with a little local committee, by itself and for itself, you would have to wait a long time before anything that is here thought of would be realized.

Mr. HIRSCH. Who buys the contents of those little markets, the consumers?

Mr. LUBIN. Certainly.

Mr. HIRSCH. What are they going to do with the oversupply? There is bound to be an oversupply.

Mr. LUBIN. Well, if he eats too much he will have to take medicine.

Mr. HIRSCH. Oh, if he eats too much; but if he raises too much for the market?

Mr. LUBIN. But, my dear sir, you have got the United States to supply.

Mr. HIRSCH. That is it; and then you will have to ship it out; it will have to be shipped to some other place.

Mr. LUBIN. Certainly. Here is a consumer that wants breakfast and wants 1 cantaloupe, and if you bring him 15 cantaloupes you have 14 too many.

Mr. HIRSCH. Exactly; that is what I wanted to bring out.

Mr. LUBIN. But that does not mean that you must bring in 15 cantaloupes when only 1 is needed. Cooperation will tell when and where the 1 cantaloupe is to be brought and when and where

the 15 cantaloupes are to be brought, and you will not have a whole bunch lying around doing no good.

Mr. HIRSCH. They are just as good there as on the vines if they are ready to bring in.

Mr. LUBIN. In cooperation the 14 cantaloupes will find their way—let me give this illustration: In California we have a curious tribe of Indians called Flatheads. They are not flattening their heads any more, but if you read the Encyclopedia Britannica articles, you will find that originally they had a board or stone which they fastened on the foreheads of the children, and the child that had the most retreating forehead was deemed the prettiest. Now, the women of that tribe of Indians have no such things as combs and brushes, and so an accumulation of minerals, vegetables, and animals regularly occurs in their hair, and when this becomes unbearably troublesome they go down to the creek and smear their heads full of what is commonly called "dobee," the kind of earth that they make the adobe buildings out of, and when this "dobee" dries it is hard as a stone, but when it is wet it is like molasses. After smearing their heads with this "dobee," they sit in the sun and by and by it becomes as impervious to air as a glazed pot. And so, when they think the animals are all dead they go down to the creek again and wash off the "dobee" and then they are clean for quite awhile.

Well, that is about the way that we are marketing our products at the present time. Now, the European way of marketing is, as it were, to use a comb and brush; all is regulated and with design.

Mr. HIRSCH. What I am trying to bring out is this—that if your scheme works it will have to be on a limited number of products. You can not take all the products indiscriminately and work this thing because you have not the time. You can not find out the market for canteloupes because the canteloupes are going to rot the next day. Tomatoes are the same way and the other perishable staples.

Mr. LUBIN. The same kind of a story was probably told the man who first thought of the department-store idea. How will one man know how to buy stoves and eyeglasses, and women's hats, and slop buckets, and opera cloaks? There is not a product that is worth anything but what it has some ultimate market. But how can a producer know when, where, and how to find it? And even if he could, it would not pay him unless he was accompanied by the products of a great many others with the same end in view that he has. What is known about these ultimate markets? Little or nothing by the farmer. Just a very little by the commission merchant; a little more yet by the wholesale dealer, and almost all that is to be known by the trust. Now, in cooperation, you bring all that knowledge together; you coordinate the knowledge of each and every one, and presently you know how much, when, and where to send that which is perishable and that which is not. Through cooperation we have got the best intelligence. If there are 50 producers in the cooperation you can get the best knowledge of the 50. Besides that, through this you can get the best knowledge of your carrier and the best knowledge of the consumer. You, therefore, through cooperation, have the best knowledge in place of having no knowledge at all.

Mr. HIRSCH. The average city person goes along the country road and sees a lot of tomatoes rotting on the vines; also cantaloupes,

and he will say, "Why don't you pick them?" The reason that the man did not pick those is that he did not have enough to take to market that day. He just had to let them stay there.

Mr. LUBIN. What does that man know of marketing?

Mr. HIRSCH. He did not have enough; he could not afford to make the trip.

Mr. LUBIN. Supposing he made the trip. What would he have known of the market?

Mr. HIRSCH. He would not know anything.

Mr. LUBIN. As a member of a cooperative body he would have known; but, as it is, what is the market to him? What is he to the market? He knows nothing. Now, cooperation brings intelligence, brings light. Ask the farmer in Europe that stamps the date on each egg, "What do you do that for?" "Well," he says, "you can see the date on that; you can see how old the egg is." "But, supposing you lied?" "Oh, we don't dare lie. It would do a great injury to the business of Denmark." Or, again, ask him, "Where do these go?" And he will be able to tell you every step; but the producer that sells to the trust buyer—what would that man know? What would a hundred of them know, what would a thousand of them know, what would ten thousand of them know? So far as commercial knowledge is concerned, knowledge of the best markets, they know little or nothing. Such producers are as those in an invaded city. They are in the same position as the tobacco growers are in the paper that I handed you. These tobacco growers are hemmed around by the Dukes, the Lorillards, and the "regie" buyers of European Government monopolies. What power have these producers inside that mighty circle? Absolutely none. All that such a tobacco producer knows is that he has got to bring his bunches of tobacco down to that place and put it on that shelf or this table. What then? That's all. That is his ultimate market. All the other knowledge is known to the trust, and the trust pays itself well for that knowledge. Why shouldn't it? There is no sin in running a trust. If there is any sin at all, it is in the stupidity of the producer that makes the trust possible.

Let this producer learn to break through this invading ring, the encircling ring of the trust, which is choking the life out of him. We put out fires by taking away the oxygen. Pen the seller around by a few buyers and you choke all commercial knowledge away from him. The trust has knowledge; the producer, without cooperation, has no knowledge. He can get the knowledge of the trust if he does the same thing that the trust is doing, and then there will not be any trust; but if we expect that putting something in the papers to the effect that some trust men are to behave themselves or they will get "penalized"; if we think this kind of tactics is going to straighten out the whole proposition, then, of course, we will be greatly mistaken. "It is to laugh," said the man in the play, and it does not take a great depth of imagination for us to perceive the broad grin on the countenance of the trust magnate as a result of this threat. Of course, from a political point of view, it may do some vote fetching. When Mary Ann says to Tom, "See this in the paper, Tom; the Government is going to put all them trust fellows in jail. What do you think of that?" But if Tom has got any horse sense he would be likely to say, "You and I, Mary Ann, will never live long enough to see any of them

trust fellows in jail for charging high prices." And now, Mr. Chairman, I am done with my statement.

The ASSISTANT SECRETARY. I would like, Mr. Lubin, to state very briefly the impression this has all made on my mind, and have you correct me in any misconception I may have. You have alluded to your own connection with the fruit industry of California. I take it that you want us to regard that as a sort of object lesson in cooperative selling which, in your opinion, might, with suitable variations, be applied to all kinds of food products raised by farmers?

Mr. LUBIN. No.

The ASSISTANT SECRETARY. But the general principle of that cooperative selling could be applied, with certain modifications, to other farm products?

Mr. LUBIN. No. I would try to correct that statement by this, that the California fruit industry labor was, after all, a crude attempt. My proposal here is to copy the much more perfected system in operation in Europe. The California fruit proposition is still in a crude shape; it has not yet been perfected.

The ASSISTANT SECRETARY. I did not mean to be understood as saying that you considered that to be ideal, but that a measure of cooperation had been secured there that has brought about far better results in California than the old system of selling fruits.

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. Or the present system of marketing farm products all over the country?

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. Now, in answer to some of the questions that have been asked you with regard to the glutting of markets, oversupply in some particular localities, and that sort of thing, my understanding is that your position is that greater intelligence, a more complete knowledge of what is wanted in various localities, would be secured through this method of cooperation than is being secured under the present system; in fact, that practically no intelligence is being exercised under the present system.

Mr. LUBIN. That is right; except by the trust.

The ASSISTANT SECRETARY. I know; I mean by the producers themselves.

Mr. LUBIN. Yes, by the producers themselves.

The ASSISTANT SECRETARY. And that under the system that you propose, produce would only be sent, in the main to where they were needed. I do not understand you to claim that there might not be some comparatively small mistakes, just as the trust right now make mistakes.

Mr. LUBIN. Exactly.

The ASSISTANT SECRETARY. But that a reasonably high degree of intelligence and discrimination would be made in the selection of markets.

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. And then with reference to the trust, I understand your position to be that practically the producer would be his own trust.

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. He would then have a degree of intelligence and discrimination brought to bear upon the marketing of

his produce that the trusts bring to bear upon the marketing of some other person's produce; that with the profits of the trust, which is now supposed to be unreasonably large, with a very small compensation—inadequate, most of the farmers think—to the producers, and a very exorbitant price from the standpoint of the consumer, that he pays for the products, the trust between the two is getting rich very fast, and your idea is that both the producer and consumer would be greatly benefited by this method.

Mr. LUBIN. Correct.

The ASSISTANT SECRETARY. And the producers would come in voluntarily, because it would be to their interest to do so?

Mr. LUBIN. Yes.

The ASSISTANT SECRETARY. You are proceeding upon the theory that self-interest is the strongest motive power that you can apply?

Mr. LUBIN. That is right.

The ASSISTANT SECRETARY. And that both the producer and the purchaser would have a strong self-interest in this arrangement and that that would practically secure an almost universal adoption of this method when it was thoroughly understood and put in practice, because it would pay them both to do it that way rather than through the methods that are now in vogue. Is not that true?

Mr. LUBIN. I want to state, Mr. Chairman, that if I had your power of expression I would have made greater headway that I have. A great deal of my poking around in trying to make this matter clear to this meeting is because while I feel this question very keenly and clearly, you seem to be able to set it forth very plainly. You are now explaining what I am trying to get at. Now we can understand what is before us. I wish you could continue in just the same way.

The ASSISTANT SECRETARY. I don't know what you want of me, Mr. Lubin. [Laughter.]

Mr. LUBIN. I want you to say what I wanted to say.

The ASSISTANT SECRETARY. It is perfectly evident that you are after something.

Mr. LUBIN. Certainly I was after something. I came here to explain; I thought I did explain, but nobody seemed to understand what I said except you. It therefore seems that you can make what I want to say clearer to those present than I can and I consider that a rare gift.

The ASSISTANT SECRETARY. Well, I am trying to tell you the impression it made upon me, because it was a new subject, and, in fact, I must confess my ignorance in which this is being done in Europe. You have been studying it, and I am very glad, indeed, to learn about it. I suppose that there are opportunities for reading about it and studying it, but it certainly has not fallen to my lot to run across any description until I listened to yours; and I dare say that I absorb more by this kind of conversation with a person who has been right there and witnessed it than I would from reading about it.

I do not see, gentlemen, anything absurd or impracticable about that, do you? Don't you think it could be worked out?

Mr. HIRSCH. There would be a world of detail to be taken up.

The ASSISTANT SECRETARY. We have asked Mr. Lubin a lot of questions that he has not answered to our entire satisfaction in connection with these details; but the real point, as I understand it, is

this: That if we understand the general principle, and we are working toward a particular end, and bring to bear upon these questions of detail our own intelligence, we will work out a plan.

It may not be exactly the plan that he has in his mind, or that is in vogue in Europe. It may be that conditions here would demand some changes in these plans; that the disposition of our people is such that something different would be required; but that is for us to figure out, so far as the details are concerned. Is not that your idea, Mr. Lubin? You do not pretend to tell us just how every little part of this ought to be done; your idea is just to give the general plan and have us work out the details?

Mr. LUBIN. Yes; in fact, I have the details of the cooperative institutions here, if you want to use them, and as for the questions I have not answered, I will be pleased to have them restated, just what those questions were.

The ASSISTANT SECRETARY. Is it not possible that some of them would not apply in this country?

Mr. LUBIN. Yes; perhaps some.

The ASSISTANT SECRETARY. You might need material variations from that plan.

Mr. LUBIN. The heart of the question is this, Which could do the work more intelligently, the farmer or the trust, the individual farmer who handles some miscellaneous farm products which he produces or the trust that handles thousands and hundreds of thousands and millions of dollars' worth of these products? Who is the better merchant of the two, the farmer who operates 40 acres of land or the trust man? Which do you think is the better business man of the two?

The ASSISTANT SECRETARY. I should say that if you would examine their respective bank accounts that would answer the question correctly.

Mr. LUBIN. Well, which? Which of the two is the better business man?

The ASSISTANT SECRETARY. I should say that the man who is manipulating the trust, purely from the business standpoint; the one who shows ability.

Mr. LUBIN. Yes; you are right; there is no question about it; there is no comparison.

The ASSISTANT SECRETARY. He is the one who also makes the money.

Mr. LUBIN. Of course he does; but now let us go one step further. Which is the more intelligent? The trust man in the United States or the cooperation in Europe? Let us say the Danish cooperation that handles the butter and eggs.

The ASSISTANT SECRETARY. Possibly there might not be any very great difference. I do not know.

Mr. LUBIN. Well, right here you must give credit to the Danish organization, rather than to the trust, for this reason: The trust has much more intelligence than the common, ordinary farmer has here—the unorganized farmer. His intelligence is limited, however, to the information that he receives from the heads of his department that he comes in contact with and the merchants that he comes in contact with. But with the European trust which, in fact, is the farmers' trust, if there be 500 farmers in that group you have got the intelli-

gence of every one of those 500 farmers bunched into one organization, and you have got a better, clearer intelligence than the trust has. Though the trust man may be a sharper man himself, as an individual, yet collectively the little bit of information that this clumsy, slow farmer can give here, and another little bit of information there, and when all this is accumulated together, it makes a coherent working intelligence that is much keener than the trust has here. So you have the highest intelligence in the German cooperation or in the Danish cooperation, on the one hand, and the next highest, the trust in the United States, and finally the poorest commercial intelligence at all, the unorganized American farmer, and if we follow the path that logic would lead us, we are compelled to come to the conclusion that with organization the American farmer will lead, as the most intelligent, economic entity in all the world.

The ASSISTANT SECRETARY. Now, Mr. Lubin, I would like to ask you a question which I think is very practical. What should this department do—or any department of the Government—to bring about this better condition? What practical steps do you think ought to be taken?

Mr. LUBIN. Well, I would suggest the following: The statements of the President have gone forward to the people of the United States. I refer to the statements on the high cost of living. It is a sober statement and is likely to arrest the attention of sober people of this country. The statement of the President has created curiosity; the curiosity of the farmer, the curiosity of the trust, and the curiosity of the people everywhere. The question is pertinent enough, but what will it all amount to? Of course, it will wake up the poor, rich trust men; they will rub their eyes and say, "What is the matter with the President, what is he up to," and some of the trust fellows will give the President the old cry that used to be given for Hanna "What's the matter with Hanna?" "Oh, he's all right," and some of the other trust men will begin to feel a little uneasy. Is there going to be a fight? Oh, no; for if this proposal is adopted there is to be no fight with the trust at all. For in short order there won't be any trust, for the farmer is going to take this trust job himself and report promptly at the "old stand," all ready for business.

The ASSISTANT SECRETARY. You have explained very clearly how interest might be stirred up, but I do not quite understand the different steps to be taken before making any announcement to the public. Is it your idea that the department should get into communication with the people who are to compose the commission?

Mr. LUBIN. Perhaps, yes. But you understand that the commission in accordance with the proposal is to be appointed by the President of the United States.

The ASSISTANT SECRETARY. And that we should select them?

Mr. LUBIN. There can be no objection to that, but of course the appointment of the commission is to be done by the President of the United States.

The ASSISTANT SECRETARY. Well, at present there is no authority to do anything along this line, and it would be entirely outside of any direct legislation.

Mr. LUBIN. I hardly think there is any need for any direct legislation. A joint resolution of Congress could be passed, authorizing the President to make the appointments, and I feel sure that were such a

resolution offered to Congress that they would push everything aside and most likely pass a resolution within 24 or 48 hours. It would seem to me that such a resolution would give the President all the power necessary.

But, from what we read in the papers, it would seem that even a resolution would be unnecessary, for it was either the President or somebody in the House who said, "We must take the law into our own hands. We have got to do it." If I am not mistaken that was given out by your chief, the Secretary. And so earnest was he in his statement that though staid and dignified as he is, you may remember, he used a swear word in that connection. So one way or another I think the President of the United States can have all the authority necessary for the appointment of a national commission.

The ASSISTANT SECRETARY. So far as the Department of Commerce is concerned, how do we reach out into the various States? Or is it your idea that we should restrict our efforts to some particular part of the country?

Mr. LUBIN. This proposal should be made operative throughout the United States, but in a manner to avoid any clash between the national authority and the State authority.

The ASSISTANT SECRETARY. That is a very important matter.

Mr. LUBIN. It would seem to me that if this matter were taken up seriously a way would be found to avoid all clashing of authority.

The ASSISTANT SECRETARY. That is the point.

Mr. LUBIN. The President and his advisors, of course, know the law much better than I do. The points we are here raising do not come up under the German system.

The ASSISTANT SECRETARY. No; they have not the same organization in the lower units that we have.

Mr. LUBIN. The question we are here considering would, of course, not come under the landwirschaftsrat, but as the proposal is but a temporary substitute for the Landwirtschaftsrat, anticipating it, there should be no great difficulty in adjusting this point in a satisfactory manner.

Before dismissing this phase of the question it would probably not be deemed out of order to consider just how much of the organizing labors of this project is to be turned over by the President to the Department of Commerce, and how much of it to the Department of Agriculture. I presume the commercial end of the question would probably go to the Department of Commerce.

The ASSISTANT SECRETARY. Yes. Now, that is one of the points that the Department of Agriculture has given a great deal of attention to, has it not, Mr. White? Is not that regarded as within their functions, rather than ours?

Mr. WHITE. The entire office of markets is devoted to that question.

Mr. LUBIN. Then, it ought to come under that.

Mr. WHITE. And one of its activities is along the line of cooperative organization for marketing and distributing products.

Mr. LUBIN. Well, why did the President in his talk point to the Department of Commerce, seemingly referring this question of the high cost of living to this department? Did you read the article?

Mr. WHITE. I saw the article; yes.

The ASSISTANT SECRETARY. The Secretary of this department, in his letter to the Attorney General, I am quite certain, referred to the

Department of Agriculture as being perhaps the proper one to make that investigation, but at the same time he offered to do anything that we could do from this department. We have agents now in seven different large cities, and we have communicated with them and asked them to state to us as soon as possible the conditions existing in those cities, and the causes for those conditions, merely as they are able to ascertain them, with a view of adding to our stock of information and giving us something to work on.

But, of course, we do not split hairs with regard to what particular part of the Government should take up useful work of this kind. If it is useful, we want to do it; and especially between Agriculture and Commerce. We have a committee that is made up from both departments, that is making a great effort to arrange our work so that neither department will duplicate the work of the other, so that whatever is planned by one department will be understood by the other, and one department can take advantage of the work being done by the other. That, I think, is something that ought to be carried out more generally through all the departments than it is; I think a great deal of money would be saved. Don't you think so, Mr. White?

Mr. WHITE. Undoubtedly.

The ASSISTANT SECRETARY. And I think that will be done some day. But the point I was trying to get at was not so much as to whether the Department of Commerce or the Department of Agriculture should take this up, but as to what practical steps should be taken by any department of the Government to bring this matter before the people of the country so that it would be generally taken up and put through in a good, practical way, and so that they could get benefits from it.

Mr. LUBIN. Well, I would suggest that the very first thing that could be taken up is, that the Secretaries should meet with yourself and some representative of the Department of Agriculture and go over what is in that paper, and in this presentation, and come to some tentative conclusions on the subject, and then present those conclusions to the President.

The ASSISTANT SECRETARY. Mr. Hampton, is there a prejudice among the farmers in Pennsylvania, as far as you know, against the cooperative system?

Mr. HAMPTON. No; there is a decided feeling strongly in favor of it.

The ASSISTANT SECRETARY. Have not many of them been failures?

Mr. MORE. Thousands.

Mr. HAMPTON. Oh, yes, but these failures were largely caused by defective or ineffective modes of procedure. The cooperative development, even in Pennsylvania, is much more widespread than people know who have not studied it. Of course, the gentlemen in the department can tell more about it, because when we come to gather our figures we go to these central bureaus for our information. But you know that up to the present time cooperative buying in the granges is more highly developed than cooperative selling. But this proposal, if properly placed before the people, will unquestionably develop cooperative selling as it has never been developed before.

The ASSISTANT SECRETARY. I suppose so.

Mr. HAMPTON. And the cooperative selling is engaging their attention at the present time, and the farmers are watching the depart-

ment in its Bureau of Markets, not bothering them very much, but watching them with a good deal of interest; somewhat with a microscope and somewhat with a telescope.

Mr. LUBIN. Mr. Chairman and gentlemen, before this session is closed I wish to add the following observation:

Substantially the matter stands thus: Let us say that it is a question of the economic distribution of potatoes, chickens, eggs, butter, meats, cheese, vegetables, fruits—in a word, food products, or even more, farm products. Who can do this to the best advantage of the farmer and the consumer? Is it the farmer or is it the trust? There is no question in my mind, and I think I am justified in saying nor is there any question in your mind, that under present conditions the trust can do this very much better than the farmer. Why? Because the trust is a highly skilled and powerful organization, whereas the farmers are a number of heterogeneous units, unskilled in the art of business. But all this will be changed when once the farmers are intelligently and effectively organized. When this will be done the farmer will then become a far more effective, economic factor than the trust has been, is, or can be.

It must necessarily follow that an economic movement of this kind, if promoted along rational lines, would soon manifest its utility. It would then not merely serve a transient purpose, but become permanent.

And this permanency would not merely prove of value as an economic factor; it would also prove of the highest value in strengthening the life of the Nation, and thus become an integral part in the political life of this Nation.

It must also be borne in mind that the justness of cooperative movement would strengthen the political life of this Nation; the persistence of the trust must tend to weaken it. What has just been said is true or it is false. If it is false there is an end to the matter, but how is it if it is true? Can we afford to fold our arms and passively permit the onward march of the deteriorating factors which must sap the life and vigor of this Republic?

If the trust is to persist in spite of the fact that what has here been said is well known, then it will persist because evil influences are already so strongly intrenched in our midst as to make their eradication impossible. If that were the case it would be a great misfortune, a misfortune not alone to this Republic, but a misfortune to the world, for as this Republic progresses onward it forces the world onward; as it retreats from the light, so the shades of darkness thicken, not merely here, but throughout the world.

Like the Romans in the time of Augustus Cæsar, we point with pride to the splendid progress that we have made, and in all departments that go to make up the sum total of civilization. And last, but by no means least, we point, like the Romans of old, to our splendid cities. We boast of our marble palaces, of our skyscrapers, and their luxurious furnishings, and we forget that when Rome seemed to blaze with splendor, when she seemed strong and beautiful and mighty, that she had then been "weighed in the balance and found wanting." And so Rome perished. And what killed Rome (and the lesson is a solemn warning)? It was the trusts that killed Rome; it was the trust that choked the life out of her independent landowning farmer, that drove him from his farm a dependent beggar to Rome.

And how does the matter stand in this Republic in this twentieth century, in this year 1914? We find in the United States Census record that 37 per cent of all the farming lands in these United States are now worked by renters; that 16 per cent of those renters were evolved during the past 10 years. A few more such decades, a few more 16 per cent renters added to the present renters, and this mighty Republic will have perished.

And if there be truth in what is herein set forth—and who can say that it is not the truth—it must necessarily follow that the life and perpetuity of this Republic is dependent primarily upon obedience to the law, "A just weight and a just measure shall ye have." While the flag is merely a symbol, the "just weight and the just measure" is a reality. And how feeble do our modern economists appear when measured alongside of those mighty heroes, the prophets of the Bible. The summary of all their preaching was "the just weight and the just measure." In obedience to this sacred injunction we are promised, "Thy will be done on earth as it is in heaven."

Is it then a small matter, this, the upbuilding of the cooperative institutions throughout the United States—institutions which shall replace inequity in exchange by equity? And is this a question which concerns merely the farmers of the land? Does it not concern all the people, and in every State in the Union?

The ASSISTANT SECRETARY. I think all of us are very much obliged to Mr. Lubin for giving us such good ideas.

OBSERVATIONS AND COMMENTS CONCERNING THE MODE OF MARKETING TOBACCO.

THE RESTRICTED LOCAL MARKET VERSUS EXTENDED OPEN MARKETS.

Commenting on the points dealt with in my letter to Dr. True, chairman of the committee on the International Institute of Agriculture, United States Department of Agriculture, on the tobacco question of March 27, the thought has occurred to me that there is room for questioning the wisdom of the request made by the Farmers' Union that purchases of tobacco be made direct of the union. Even supposing that the Italian "regie" monopoly and the other "regie" buyers and the trust buyers were to comply with this request, would not the proposed remedy be still likely to prove of questionable utility? I think so; I think it can be shown that it would be contrary to sound business principles.

It seems to me that the union's proposal is in line with the views of a certain class of theorists who recommend (*a*) that the distribution of products should be made by placing the buyer in direct contact with the producer; and (*b*) that this buyer should seek out the product on the farm where it is grown. This, they claim, would be calculated to secure the best economic results to buyer and seller.

Let us now see if this hypothesis be a correct one.

An example of this mode of distribution is afforded by the history of the California fruit industry In the early history of that industry various ventures proved that certain high-priced fruits grew abundantly in many sections of California. As a result there

sprang up throughout the State many orchards and vineyards. Right from the start, and so long as the quantity produced was within the demand of the home market, the growers found their business highly profitable. This gave an impetus to the expansion of this industry on a large scale. And then the trouble began. On the one hand the product multiplied on a great scale, but, on the other hand, no provision was made for its distribution outside of the State, other than through a few shippers and a few local canners, who bought up the fruit direct from the farmer and sold it on the eastern markets. This mode surely placed the buyer in direct contact with the producer by bringing him to the farm where the product was grown. It was doing for the fruits of California just what the tobacco planters of the Southern States are still doing with their tobacco. But what was the result? It was bad in every way so far as the grower was concerned. It gave the two large buyers, the Porter Bros. and the Earle Co., a practical monopoly in fixing the price of the fruits in California, and as a result the fruit growers were face to face with bankruptcy and ruin.

At this juncture the growers were fortunately aided by the advice and energy of men familiar with the laws of trade. As a result there was a change of base in the disposition of the product; instead of being sold on the farm to a few big buyers, the fruits of California were sent by the growers themselves to the East and West, and were disposed of on the growers' account at auction in the principal cities of the Union. As a result of this new method of distribution, it became easier to sell two trainloads of fruit in a day in New York, for instance, than it used to be to sell one carload under the trust régime. This newer system of distribution largely freed the California growers from the deadly coils of the all-encircling trust.

Thus we see that the system which places the buyer in direct contact with the producer by bringing him to the farm where the product is grown, is not conducive to the economic welfare of the farmer. On the contrary, under this system the farmer becomes, as it were, the "under dog," the hungry dog tussling with a bare, gristly bone.

In fact, the close approach of a few large buyers surrounding the district producing the crops which they wish to purchase, may be compared to the besieging of a city by an invading force of irresistible power. Closer and closer these few buyers hem in the farmer in the producing district, until finally closing up the ranks, they stifle all sound commercial practices and instincts in the seller. And thus those few buyers succeed in substantially voting over to themselves, at their own price, the products of the seller.

If we ever have a scientific analysis of the causes which have led to the formation of the trusts in the United States, it will surely be found that one of the main causes is the seemingly harmless system which places the few large buyers in direct contact with the producers by bringing them to the farm to purchase the product where it is grown. This system enables these few buyers to surround the many sellers and hem them in completely, thus using them as a property peculiarly their own, to have and to hold and to keep.

And now to go back to the tobacco situation. We see, in the first place, some half-dozen "regie" buyers and a few home trust buyers surrounding the growers in the producing district as a solid unit, the unit of the monopolist buyer, dictating the price, terms, and condi-

tions. The price, terms, and conditions for what? For the product of the southern tobacco planter; for American tobacco. And what is this product that is thus being foot-balled in a one-sided game by a few buyers? What, then, is this American tobacco?

From the point of view of commerce American tobacco is at once a staple, a luxury, and a necessity. It is a product in constant demand all over the world; a product almost exclusively produced within the boundaries of the Southern States. In other words, the crop raised by the American tobacco planter is, substantially, a monopoly. Do the American tobacco growers realize this?

Is there any reason why half a dozen monopoly buyers should surround the tobacco-growing district, dictating their prices, terms, and conditions for this product, when the southern tobacco planters may have the markets of the whole world opened to them?

Is there not a way whereby these planters may break through the cordon of monopolistic buyers who now surround them and reach out to the large body of ultimate purchasers? There surely is a way, for as his tobacco is at once a staple, a luxury, and a necessity, in constant demand all over the world, it becomes practicable for the planter to build up a series of selling zones for the marketing of his product. Beginning with the first of these outward zones, which should be some distance removed from the producing district, let the planter designate selling centers within that zone, and determine the quantity of tobacco to be offered in each center. Then, extending outward, let him establish another selling zone, and so on, until the entire Union is thus covered.

And right here it would seem to me that the American farmer would do well to cease from shouting at the "pit" and "exchange." The question is, do not these "pits" and "exchanges" deserve to be studied seriously by him? Is it not high time that there be a little solid thinking on what they mean and on what function they perform in the equities of exchange?

That abuses sometimes creep into the "wheat pits" and "cotton exchanges" may be freely admitted, but abuses sometimes creep even into church. Shall we for that reason abolish the church? Upon a right understanding it will be seen that in place of crying down the "pits" and "exchanges," they should in reality be multiplied until every fair-sized town in the Union has its "pit," its "exchange"—and above all, mind you, a "pit," an "exchange," which should be run by the American farmers themselves through their cooperative unions. These "pits" and "exchanges" should not alone cover a series of zones embracing the entire United States, but the producers, through their cooperative unions, should also operate branches in the principal market centers in foreign countries. This, then, would be the effective way of placing the farm, the factory, and the consumer in direct contact, and without the intervention of trust or monopolist.

And here we may expect the "regie" buyers to step in with the remark: "You seem to overlook the fact that each of the countries having a Government tobacco monopoly has but one buyer. Of what use, then, would the multiplication of the proposed selling zones be to you, since the American tobacco grower could not directly nor indirectly land a single pound of his tobacco in a tobacco monopoly country unless it be bought by this one Government buyer? And

if you should hamper this buyer by attempting to dictate to him just what he should do, how he should buy, would you not thereby interfere with his buying? What then would you do with the consequent surplus of tobacco on your hands? Would not this increased surplus tend to reduce the growers' price still lower than what it is now?"

To which we may reply as follows: By placing his tobacco for sale in the open market in the various selling zones, as above indicated, the planter would by no means hinder the free and equitable distribution of this product. Nor need there be any fear on the part of the planter of any congestion of the tobacco in these zones, because the necessity the buyers are under of having the tobacco is sufficient spur to make them buy. Take it in the case of the "regie." While it is true that the American grower is not permitted to export his tobacco direct to a Government tobacco monopoly country, it is also true that this tobacco must be had by the Governments in question. And the "must" is imperative for the following reasons:

First. Because the tobacco monopoly forms an important part of the fiscal system of these Governments, and any decrease or cessation in the purchase of the tobacco would seriously interfere with their fiscal policy;

Second. These Governments employ a large number of people in the manufacture of this tobacco whom it would be quite inconvenient and irksome to dismiss on account of any shortage in the supply;

Third. There is the large body of selling agents, the retail tobacco dealers, throughout the countries who would be seriously hampered and injured by any decrease in their supplies; and

Fourth. There is the constant and imperative demand for these tobaccos by the people.

All who use tobacco, whether peasants, laborers, mechanics, professional men, or men of leisure, expect to find the supplies they are accustomed to in the Government agency shops, which are the only ones permitted to sell tobacco in the monopoly countries. Let them go there and be told that there are no supplies and no substitutes, and there will be currents and eddies of protest which would presently become deep and loud and ominous. Weigh it, measure it, analyze it, and there can be but one conclusion with regard to the situation. It is not the buyer who, in reality, has the monopolistic advantage. It is the seller who, in fact, has a monopoly. For, in this instance, the seller has a product which all the world wants and wants almost all the time, and which can not be got elsewhere. He has a product which the "regie" must get in order to be a "regie." It is only a question as to how and when and where the selling is done.

Once make it necessary for the "regie" buyer to run around from State to State, from market to market, for his tobacco, once make it necessary for him to purchase a little here and a little there, and a little everywhere, and he will no longer be able to buy American tobacco below the cost of production. He will then have to pay the equitable market rate, in full accord with the law of supply and demand.

And now the question arises: How may the American tobacco grower set in motion the machinery required for a change in his marketing system along the lines of the proposed outward selling

zones, with "pits" and "exchanges" which should embrace all the important trading centers within the domain of the United States? Is there a way to do this?

I believe there is. Let the American tobacco-growers' organization join hands with the other agricultural organizations in the United States for the appointment of a national committee. Let this committee, in conjunction with the United States Department of Agriculture, make a careful and intelligent study of the German Landwirtschaftsrat system, with a view to its adaptation and adoption in the United States. This would give the American farmer what the farmers of Germany have—a national council of agriculture, semi-official in character, with power of initiative on economic lines. When once this national council of agriculture, this American adaptation of the landwirtschaftsrat, would be established, it would afford a basis for economic development. It would, in the first place, afford the American farmer an opportunity to evolve a system of rural credit suited to his needs, a system like that of the German landschaft (see pp. 351–364 and 381–389 of S. Doc. No. 214), which could be made to provide him with money on long-time mortgages at approximately the same rate of interest paid on Government bonds. Through this national council the farmer would be able to ward off any mere bankers' schemes of rural credit, such as those now pending in Congress and in State legislatures. The farmers would then learn that they can get money without going anywhere near bankers and without themselves becoming bankers; that they can get it the same as the farmer does in Germany under the landschaft system. Witd this money the American farmers need no longer be subject to the trust; they could then become the great American trust themselves, just as the German farmers are in Germany and the Danish farmers in Denmark. With this money the farmers could then open their own "pits" and "exchanges" in the various parts of the United States. In fact under the proposed national council of agriculture the farmers of America would have three temples. The first would be their church, the second would be their cooperative union hall, and the third would be their "pit," their "exchange."

In these "pits" and "exchanges," run by the farmers' cooperative unions under the auspices of the national council of agriculture, all the different kinds of farm produce could be put on sale at different hours in the day or week. There would be a time for the sale of potatoes and other root crops; a time for that of fruits; a time for tobaccos; a time for cereals; a time for cotton, wool, flax, and hides; a time for dairy products and forage; a time for live stock and poultry. Thus every hour in the day these "pits" and "exchanges" would be to the agricultural interests of America what the heart is to the human body.

And now, finally, it should be understood that the tobacco question is not an isolated case; that the complaint of the tobacco planter is the complaint of the American farmer; that he is the "under dog" lying prostrate under the heel of the trust.

The European farmer has succeeded in kicking this trust aside once and for all, as the American farmer can see if he will but patiently read through the important features in the 916-page book of evidence gathered by the American commission and printed by Congress (S. Doc. No. 214). And here let it be said that whatever opinion may be

entertained as to the value of the commission, this should not be allowed to bias judgment as to the value of this book, which, it should be remembered, consists in the main of statements by authoritative experts given under Government auspices in the countries visited.

A careful reading of this book will show the American farmer that he has come to the parting of the ways; that he must either remain where he is and be eaten up by the trusts, or go ahead on progressive economic lines as the European farmer has done, and by pushing aside the buying trusts take his rightful place as the selling trusts for the distribution of his own products.

The difficulties the American tobacco planter labors under are substantially the difficulties inherent to the lack of organization for economic purposes of the American farmers generally. The American farmer has yet to learn that he is living in an age of industrial cooperation, a lesson which has been learned and applied by labor, by commerce, by finance; a lesson which has especially been mastered by the farmers of Europe. Like the ostrich, the American farmer hides his face from the light and says there is no cooperation. It is high time that he gathered himself together; it is high time that he realizes that it is just as futile for him to remain outside the influences which govern his age as it would be for him to vote himself outside of the influences of the law of gravitation.

The remedy that will apply to the American tobacco planters' difficulties will apply substantially to the American farmers as a whole. This remedy consists, first of all, in the adaptation and adoption of the German Landwirtschaftsrat in the United States in the establishment of a national council of agriculture. Let the American tobacco planter work for the national council of agriculture, and, when once this is established, the other essentials will necessarily follow in due course. This and this only will free American agriculture once and for all from its servitude to the now omnipotent buying trusts.

DAVID LUBIN,
Delegate of the United States,
International Institute of Agriculture, Rome, Italy.

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